

Police Pension Fund

Board Minutes

Of

October 11, 2007

PRESENT:

Thomas M. McMahon, David M. Cituk, Ryan Hottenstein,
Kevin L. Rudy, William Heim, Louis R. Rizzuto (Solicitor),
Toyia Reed (HR Coordinator/Pension)
Captain Edward Kosmerl, Councilman Stratton Marmarou,
Jess Cwiklinski (Retiree)

ABSENT:

Michael A. Fizz

ORDER:

Meeting was called to order by Mayor, Thomas McMahon @ 10:08 A.M.

PRESENTER:

1. Roger Barilani – Wachovia Securities

Re: Portfolio Review

Mr. Barilani introduced Dominec "Nick" Yanniello to the Board. Kurt Saeger has left Wachovia Securities and Nick has replaced him at the Allentown office. Mr. Barilani informed the Board the current portfolio value is \$78.0 million. There is \$1.7 million in the DROP program. Mr. Barilani informed the board that he received the Actuarial Valuation report. The assumption is 7.5%. Mr. Barilani will prepare some recommendations for the Board in regards to the proposed portfolio mix during the next (November) meeting. The portfolio mix will possibly run 55% -70% in Equities and 30% - 45% in Bonds to make the 7.5% assumption.

2. Robert J. LaMontagne – Milliman & Robertson, Inc. (Actuary)

Re: 2007 Valuation Report

Mr. Lamontagne presented a copy of the January 1, 2007 Actuarial Valuation Report to the Board. This study incorporates the changes to the retirement plan; which increases the pension benefits from a 50% payout after 20 years of service to a 60% payout after 20 years, increases the benefit accrual for service between 20-25 years to 2% of the average earnings with no limit on the amount of benefit to \$500 limit. It also reflects the fact that the employee contribution rate increased from 5% of compensation to 6.5% of compensation. As a result of that change, that really necessitated when we assumed the officers will take advantage of retirement or the DROP program. Previously we have been assuming that the officers would be retiring in various stages between 20-25 years of service. However, with the increase in the accrual rate from 20-25, an additional 2% per year or an additional 10% of earnings to work the (5) extra years. The actuary is now assuming that essentially all of the officers will elect to work until they have accumulated the maximum benefit at 25 years of service; at which point in time, he/she will either retire or enter into the DROP program. In addition, this valuation also reflects the additional contribution to the plan from the Pension Bond from the City of

Reading in the amount of \$25.4 million. Finally, this valuation reflects the updated assumed mortality. At the time the study was done, the results of the valuation show that there were (189) active officers who were eligible to participate in the plan, there were (5) officers receiving Disability payments, there were (157) who were receiving retirement benefits as either a retiree of a DROP participant, there were (60) beneficiaries of former officers. The average compensation of the (189) active officers was \$59,186. The plan assets were \$81.2 million; which includes the proceeds from the pension bond. The rate of return was 7.7%. The plan has an unfunded liability of \$7.1 million. This unfunded liability is down substantially from the prior unfunded liability of \$20 million. The \$20 million was essentially paid off by the pension bond; however, the changes in the plan resulted in an additional unfunded liability. Based on this valuation the net contribution by the City of Reading would be about \$2.0 million. **MOTION** by Hottenstein/Cituk to have Mr. LaMontagne to conduct a study of the liability of the five year buyback ...**MOTION PASSED UNANIMOUSLY**

MOTION by Cituk/McMahon to have Mr. LaMontagne conduct a COLA study based on 5 year trenches (pre-2000) in order for the Board to consider the issuance of a COLA...**MOTION PASSED UNANIMOUSLY**

MINUTES:

MOTION by Heim/Hottenstein to approve the minutes dated September 13, 2007.....**MOTION PASSED UNANIMOUSLY.**

FINANCIAL REPORTS:

MOTION by Cituk/Heim to approve the following financial Reports ...**MOTION PASSED UNANIMOUSLY.**

Financial Report	September 2007
Statement of Transactions	September 2007

BILLS:

MOTION by Hottenstein/Cituk to pay the following bills.....**MOTION PASSED UNANIMOUSLY.**

1. Lou Rizzuto – Legal Fees	\$ 885.00
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APPLICATIONS:

MOTION by Cituk/Heim to approve the following applications....**MOTION PASSED UNANIMOUSLY**

Name:	Robert Fontanez	Name:	Mark Hafner
DOH:	6/30/1988	DOH:	9/14/1987
Drop Entry:	3/01/2007	DOR:	9/30/2007
Drop Exit:	9/30/2007		
Amount:	\$3,924.29/Month	Amount:	\$3,957.96/Month

D.R.O.P.

APPLICATIONS: None.

REFUNDS:

Name: Jason Freeman
Amount: \$2,144.35

CORRESPONDENCE:**1. Robert J. Lamontagne – Milliman Actuaries****Re: 2007 Valuation Report**

A copy of the January 1, 2007 actuarial valuation report for the City of Reading Police Pension Plan was distributed to all members of the Board.

2. Kelly Kerr**Re: Civilian Buyback**

Officer Kerr submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$75.00 per pay and a copy of the buyback calculation.

3. Michael Rowe**Re: Civilian Buyback**

Criminal Investigator Rowe submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$5.00 per pay and a copy of the buyback calculation.

4. Pasquale Leporace**Re: Civilian Buyback**

Criminal Investigator Laporace submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$5.00 per pay and a copy of the buyback calculation.

5. Jacquelyn Flanagan**Re: Civilian Buyback**

Officer Flanagan submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$20.00 per pay and a copy of the buyback calculation.

6. Chief William Heim**Re: Civilian Buyback**

Chief Heim submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$10.00 per pay and a copy of the buyback calculation.

OLD BUSINESS:**1. Military Buyback**

The Police Pension Fund Ordinance has been presented to City Council to amend the Police Pension Fund Ordinance in an effort to correct the 15-7% to 15.7% typographical error.

2. D.R.O.P. Manual Update

Solicitor Lou Rizzuto is working on the corrections and additions to the DROP Manual. The DROP manual states that a DROP participant has (60) days to move their DROP funds upon their termination of employment. The Blank & Rome letter states that at termination of employment; within (30) days following the members termination of employment, pursuant to their participation in the DROP program; the balance of the DROP account is paid to the member in a single lump sum or rolled over into a IRA. Board Solicitor Rizzuto will compose some language that states that there is no penalty to a participant if he/she leaves their DROP funds in the DROP account beyond the 30 day timeframe.

NEW BUSINESS:

Retiree, Jess Cwiklinski

Re: Eagle Scouts @ Police Memorial – City Park

Retiree, Jess Cwiklinski informed the Board that she wanted to acknowledge the beautification project initiated by The Eagle Scouts on Saturday, October 6th at the Police Memorial in City Park. Not only did the Eagle Scouts plant flowers, but they had a whole learning process. The Riverview Nursery provided a lesson in Planting to the Eagle Scouts. Board President, Mayor McMahon requested that a photo be issued to be placed on the City of Reading website.

ADJOURNMENT: **MOTION** by Hottenstein/Cituk to adjourn @ 11:11 A.M.

Respectfully submitted _____
Pension Coordinator